UNLEASHING POTENTIAL

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Unleashing Potential
St. Louis, Missouri

Opinion

We have audited the financial statements of Unleashing Potential (the Organization), a not-for-profit organization which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis Of Matter: Change In Accounting Principle

As discussed in Note 2 to the financial statements for the year ended December 31, 2022, the Organization adopted Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to the matter.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RubinBrown LLP

June 30, 2023

STATEMENT OF FINANCIAL POSITION

Assets

	December 31, 2022	December 31, 2021
Current Assets		
Cash and cash equivalents	$ 117,343	$ 435,907
Accounts receivable	1,236,103	902,003
Promise to give - United Way of Greater St. Louis, Inc.	466,461	454,648
Prepaid expenses and other assets	32,607	45,667
Total Current Assets	1,852,514	1,838,225
Investments	151,968	164,561
Property And Equipment	181,998	152,973
Right-Of-Use Asset - Operating	103,431	—
Beneficial Interest In Charitable Remainder Unitrust	439,923	571,665
Total Assets	$ 2,729,834	$ 2,727,424

Liabilities And Net Assets

	December 31, 2022	December 31, 2021
Current Liabilities		
Accounts payable and accrued expenses	$ 240,967	$ 139,778
Current portion of long-term debt	210,473	9,322
Lease liability - operating, current	41,975	—
Total Current Liabilities	493,415	149,100
Long-Term Debt	38,937	50,032
Lease Liability - Operating, Long-Term	61,456	—
Total Liabilities	593,808	199,132
Net Assets		
Without donor restrictions	891,099	1,344,558
With donor restrictions	1,244,927	1,183,734
Total Net Assets	2,136,026	2,528,292
Total Liabilities And Net Assets	$ 2,729,834	$ 2,727,424

UNLEASHING POTENTIAL

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenue And Gains (Losses)			
Public Support			
Contributions of cash and other financial assets	$ 777,510	$ 90,530	$ 868,040
Contributions of nonfinancial assets	171,050	—	171,050
United Way of Greater St. Louis, Inc.	—	466,461	466,461
Government grants and fees	1,563,863	195,000	1,758,863
Total Public Support	2,512,423	751,991	3,264,414
Revenue And Gains (Losses)			
Program service fees	255,840	—	255,840
Net return on investments	(12,614)	(9,274)	(21,888)
Other income	2,422	—	2,422
Decrease in value of beneficial interest in charitable remainder unitrust	—	(131,742)	(131,742)
Total Revenue And Gains (Losses)	245,648	(141,016)	104,632
Net Assets Released From Restrictions	549,782	(549,782)	—
Total Public Support, Revenue And Gains (Losses)	3,307,853	61,193	3,369,046
Expenses			
Program Services			
Early childhood education	914,027	—	914,027
School age services	1,925,726	—	1,925,726
Total Program Services	2,839,753	—	2,839,753
Supporting Activities			
Management and general	510,910	—	510,910
Development	410,649	—	410,649
Total Supporting Activities	921,559	—	921,559
Total Expenses	3,761,312	—	3,761,312
Increase (Decrease) In Net Assets	(453,459)	61,193	(392,266)
Net Assets - Beginning Of Year	1,344,558	1,183,734	2,528,292
Net Assets - End Of Year	$ 891,099	$ 1,244,927	$ 2,136,026

UNLEASHING POTENTIAL

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenue And Gains			
Public Support			
Contributions of cash and other financial assets	$ 984,338	$ 25,000	$ 1,009,338
Contributions of nonfinancial assets	165,061	—	165,061
United Way of Greater St. Louis, Inc.	—	454,648	454,648
Government grants and fees	1,069,083	70,134	1,139,217
Total Public Support	2,218,482	549,782	2,768,264
Revenue And Gains			
Program service fees	178,676	—	178,676
Net return on investments	241	5,033	5,274
Other income	531	—	531
Increase in value of beneficial interest in charitable remainder unitrust	—	67,821	67,821
Forgiveness of PPP loan	517,822	—	517,822
Employee retention credit	579,956	—	579,956
Total Revenue And Gains	1,277,226	72,854	1,350,080
Net Assets Released From Restrictions	587,907	(587,907)	—
Total Public Support, Revenue And Gains	4,083,615	34,729	4,118,344
Expenses			
Program Services			
Early childhood education	1,028,560	—	1,028,560
School age services	1,566,010	—	1,566,010
Total Program Services	2,594,570	—	2,594,570
Supporting Activities			
Management and general	443,934	—	443,934
Development	349,681	—	349,681
Total Supporting Activities	793,615	—	793,615
Total Expenses	3,388,185	—	3,388,185
Increase In Net Assets	695,430	34,729	730,159
Net Assets - Beginning Of Year	649,128	1,149,005	1,798,133
Net Assets - End Of Year	$ 1,344,558	$ 1,183,734	$ 2,528,292

UNLEASHING POTENTIAL

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2022

	Program Services			Supporting Services		
	Early Childhood Education	School Age Services	Total	Management And General	Development	Total
Salaries	$ 543,397	$ 1,097,232	$ 1,640,629	$ 179,268	$ 228,873	$ 2,048,770
Employee benefits	74,829	90,462	165,291	41,296	26,515	233,102
Payroll taxes	43,860	92,423	136,283	13,448	17,973	167,704
Advertising	—	536	536	1,829	3,671	6,036
Conferences and training	6,485	29,593	36,078	1,057	909	38,044
Dues and subscriptions	8,462	12,090	20,552	1,640	12,308	34,500
Food and medical supplies	52,250	109,248	161,498	6,898	321	168,717
Insurance	3,855	16,707	20,562	5,140	—	25,702
Interest	5,506	4,208	9,714	3,600	1,263	14,577
Miscellaneous	10,767	25,311	36,078	10,548	—	46,626
Postage and parcel post	—	40	40	2,634	174	2,848
Printing	—	1,430	1,430	—	10,834	12,264
Professional fees	6,406	195,070	201,476	207,985	11,179	420,640
Rent	1,867	43,601	45,468	16,800	1,952	64,220
Repairs and maintenance	52,482	20,492	72,974	2,459	1,518	76,951
Special events and fieldtrips	692	29,134	29,826	—	84,023	113,849
Supplies - educational, office and recreational	40,491	98,907	139,398	3,579	8,288	151,265
Telephone	7,290	22,812	30,102	5,642	821	36,565
Travel and mileage	656	23,683	24,339	179	27	24,545
Utilities	29,916	—	29,916	—	—	29,916
Total expenses before depreciation	889,211	1,912,979	2,802,190	504,002	410,649	3,716,841
Depreciation	24,816	12,747	37,563	6,908	—	44,471
	$ 914,027	$ 1,925,726	$ 2,839,753	$ 510,910	$ 410,649	$ 3,761,312

UNLEASHING POTENTIAL

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2021

	Program Services			Supporting Services		
	Early Childhood Education	School Age Services	Total	Management And General	Development	Total
Salaries	$ 651,753	$ 955,278	$ 1,607,031	$ 140,504	$ 221,417	$ 1,968,952
Employee benefits	56,432	66,040	122,472	37,021	12,742	172,235
Payroll taxes	53,420	80,387	133,807	11,969	16,815	162,591
Advertising	—	330	330	—	76	406
Conferences and training	6,142	26,702	32,844	1,225	2,000	36,069
Dues and subscriptions	7,312	11,861	19,173	1,554	14,298	35,025
Food and medical supplies	47,218	126,187	173,405	5,303	426	179,134
Insurance	3,829	16,592	20,421	5,105	—	25,526
Interest	6,280	5,789	12,069	993	1,382	14,444
Miscellaneous	17,038	24,138	41,176	1,550	200	42,926
Postage and parcel post	98	—	98	2,137	220	2,455
Printing	4,021	455	4,476	682	11,099	16,257
Professional fees	9,098	37,107	46,205	193,936	15,165	255,306
Rent	1,947	39,825	41,772	16,191	1,454	59,417
Repairs and maintenance	58,937	27,193	86,130	5,505	4,901	96,536
Special events and fieldtrips	1,362	2,831	4,193	3,942	44,029	52,164
Supplies - educational, office and recreational	34,670	107,692	142,362	1,955	2,928	147,245
Telephone	7,016	24,478	31,494	5,028	470	36,992
Travel and mileage	883	6,572	7,455	507	59	8,021
Utilities	34,489	—	34,489	—	—	34,489
Total expenses before depreciation	1,001,945	1,559,457	2,561,402	435,107	349,681	3,346,190
Depreciation	26,615	6,553	33,168	8,827	—	41,995
	$ 1,028,560	$ 1,566,010	$ 2,594,570	$ 443,934	$ 349,681	$ 3,388,185

STATEMENT OF CASH FLOWS

	For The Years Ended December 31, 2022	2021
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (392,266)	$ 730,159
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	44,471	41,995
Unrealized (gains) losses on investments	27,993	(3,993)
Forgiveness of PPP loan	—	(517,822)
Change in value of charitable remainder unitrust	131,742	(67,821)
Changes in assets and liabilities:		
Accounts receivable	(334,100)	(698,999)
United Way promise to give	(11,813)	(11,448)
Prepaid expenses and other assets	13,060	(11,519)
Accounts payable and accrued expenses	101,189	50,191
Net Cash Used In Operating Activities	(419,724)	(489,257)
Cash Flows From Investing Activities		
Proceeds from sale of investments	—	7,500
Purchases of investments	(15,400)	(101,036)
Purchases of property and equipment	(73,496)	(17,206)
Net Cash Used In Investing Activities	(88,896)	(110,742)
Cash Flows From Financing Activities		
Payments on long-term debt	(9,944)	(9,322)
Borrowings from line of credit agreement	200,000	—
Proceeds from PPP Loan	—	517,822
Net Cash Provided By Financing Activities	190,056	508,500
Net Decrease In Cash And Cash Equivalents	(318,564)	(91,499)
Cash And Cash Equivalents - Beginning Of Year	435,907	527,406
Cash And Cash Equivalents - End Of Year	$ 117,343	$ 435,907
Supplemental Disclosure Of Cash Flow Information		
Interest paid	$ 14,577	$ 14,443

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 And 2021

1. Operations

Unleashing Potential (the Organization) is a not-for-profit organization dedicated to being a source of support for low-income children and families of the inner core of St. Louis City. The Organization is supported primarily through donors' contributions, grants, and the United Way of Greater St. Louis, Inc.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services:

Early Childhood Education

The licensed and accredited Early Childhood Education Center at Caroline Mission provides children, ages 6 weeks to five years, from low-income families with high-quality early childhood education and care. The services are offered on a sliding scale and includes an individualized development plan for each child in addition to a strong focus on parent engagement. The Teaching Strategies Gold assessment system is utilized to design activities and track each child's individual progress. Ultimately, the goal of Caroline Mission is to prepare children for success in kindergarten and beyond.

School Age Services - UP After School And UP Enrichment Camps

UP After School - With a strong commitment to personal growth and academic success, UP After School provides before-school and after-school services for elementary-aged students in primarily low-income neighborhoods in the greater St. Louis area. The program provides homework assistance, character development, cultural awareness, strong arts programming, and uses an evidence-based curriculum for math, literature, physical fitness, and nutrition. Conscious Discipline, a research-based behavior management curriculum, is used to empower staff to use everyday conflicts to teach children life skills and encourage pro-social behavior.

UP Enrichment Camps - UP Enrichment Camps offer fun and enriching activities designed to provide an experiential approach to joyful summer learning. Strategically located at partner sites in St. Louis City and County, the 8-week camps give children ages 5 to 12 years old opportunities for traditional camp, and an overnight camp experience. Camp activities include swimming lessons, nutrition, fitness, studio and performing art, STEM, field trips, sports, all within the context of promoting healthy social/emotional growth.

In the Fall of 2022, the Organization enhanced its STEM curricula to introduce geospatial intelligence concepts to youth in both of these school age programs.

Supporting Activities

Management and General - Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization.

Development - Provides the structure necessary to encourage and secure financial support from individuals, organizations, corporations and public agencies.

2. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the accounting standards established for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of these financial statements, the Organization considers all temporary cash investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value based on quoted market prices. Gains and losses on sales of investments are generally determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end market fluctuations.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Accounts Receivable

Accounts receivable consist principally of amounts due from state and local agencies under binding contracts with the Organization for services rendered prior to year end, as well as other funding sources. Due to the nature of the Organization's receivables, management has determined that an allowance for uncollectible accounts receivable is not necessary at December 31, 2022 or 2021.

Promises To Give

Promises to give are stated at the amount management expects to collect from outstanding balances, and are expected to be collected in the next year. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to expenses and a credit to promises to give. Management has determined that an allowance for uncollectible promises to give is not necessary at December 31, 2022 and 2021.

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method. The assets are depreciated over the following periods:

Building	39 years
Improvements	5 - 30 years
Furniture and equipment	3 - 10 years

Long-Lived Assets

The Organization reviews for impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable.

The Organization has reviewed the net carrying value of its long-lived assets at December 31, 2022 and 2021 and determined that no impairment of such assets is present.

Leases

On January 1, 2022, the Organization utilized the modified retrospective approach to adopt the provisions of Accounting Standards Codification Topic 842 (ASC 842), *Leases*, which includes a number of optional practical expedients that entities may elect to apply. The Organization has elected certain practical expedients, including the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The initial adoption of ASC 842 did not result in a cumulative adjustment to net assets. Results for 2022 are presented under ASC 842, while the prior period financial statements have not been adjusted and continue to be presented under ASC 840, the accounting standard in effect at the time.

As further described in Note 8, the Organization maintains a lease for a facility for its administrative office. Lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The ROU assets represent the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. The Organization's lease has an initial lease term of seven years. The Organization does not record ROU assets or lease liabilities for leases with an initial expected lease term of 12 months or less. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the term of the lease.

As most leases do not provide an implicit discount rate, the Organization has made an election available to private companies that allows the use of the risk-free rate at the lease commencement date to determine the present value of the lease payments.

The Organization does not separate non-lease components of a contract from the lease components to which they relate for all classes of lease assets.

Coronavirus Aid, Relief And Economic Security Act Support

During 2021, the Organization received an $517,822 loan that was part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Organization used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considered the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. The Organization did not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

Under ASC 740, the loan would remain recorded as a liability until either (1) the loan was, in part or wholly, forgiven and the debtor had been legally released or (2) the debtor paid off the loan to the creditor. Once the loan was, in part or wholly, forgiven and legal release was received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. This legal release from the SBA was received during 2021, and the Organization recorded a gain on extinguishment of $517,822 on the statement of activities.

The CARES Act provided an employee retention credit which was a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit was equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 extended and expanded the availability of the employee retention credit through December 31, 2021. However, certain provisions applied only after December 31, 2020. This new legislation amended the employee retention credit to be equal to 70% of qualified wages paid to employees after December 31, 2020, and before December 31, 2021. During 2021, a maximum of $10,000 in qualified wages for each employee per calendar quarter could be counted in determining the 70% credit. Therefore, the maximum tax credit that could be claimed by an eligible employer in 2021 was $7,000 per employee per calendar quarter. The Infrastructure Investment and Jobs Act, which was signed into law in November 2021, changed the ending date of availability of the employee retention credit for the Organization to September 30, 2021.

The Organization has adopted a policy to recognize the employee retention credit when the conditions for earning it are substantially met.

The Organization qualified for the credit beginning on January 1, 2021 and received additional credits for qualified wages through September 30, 2021. During the year ended December 31, 2021, revenue in the amount of $579,956 related to the employee retention credit was recognized on the statement of activities. As of December 31, 2021, the full amount of the credit remained receivable and was included on the statement of financial position as a component of accounts receivable. A payment of approximately $165,000 was received during 2022. The remaining balance of the credit is included in accounts receivable on the statement of financial position at December 31, 2022.

Public Support

The Organization reports gifts of cash and other assets as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met. All donor-restricted support subject to donor stipulations that limit its use as restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When contributions are received in the same period that the corresponding restrictions are met, such amounts are shown as increases in net assets without donor restrictions on the statement of activities.

Contributions of Nonfinancial Assets

The Organization has adopted Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. Contribution revenue without restrictions is recorded when the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution. Gifts in-kind received through donations are valued and recorded as revenue at their fair value at the time the contribution is received. Fair value is determined by the Organization based on an estimated retail price of identical or similar products purchased in the region. The majority of the gifts in-kind received by the Organization relate to program service materials and meals provided to participants in the Organization's programs.

Government Grants

A portion of the Organization's revenue is derived from cost-reimbursable federal, state and local grants and other contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. At December 31, 2022 and 2021, accounts receivable in the statement of financial position include approximately $579,000 and $175,000, respectively, of qualifying expenditures that have been incurred but not yet reimbursed.

Revenue Recognition

The Organization recognizes revenue in accordance with Accounting Standards Codification Topic 606 (ASC 606), which aligns revenue recognition with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This core principle is achieved through the application of the following five-step model: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to performance obligations in the contract, and (5) recognize revenue as performance obligations are satisfied.

The Organization derives its program service fees from sites located in the greater St. Louis area. Overall economic conditions can impact nature, timing, amount and uncertainty of the Organization's revenues and cash flows. The Organization receives a fee from participating families based on service performed. Revenue is recognized as services are performed on a monthly basis.

The opening and closing balance of receivables from contracts with clients for the year ended December 31, 2022 are $10,355 and $39,613, respectively. The opening and closing balance of receivables from contracts with clients for the year ended December 31, 2021 are $14,565 and $10,355, respectively.

Expense Allocation

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Salaries have been allocated based on management's estimates of time spent by applicable employees in each functional category. Employee benefits and payroll taxes have been allocated based on the salary percentages, by function. Other expenses that are common to several functions are allocated based on the ratio of total salary expenses, by function.

Income Taxes

The Organization qualifies as a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income taxes on income from its related, exempt activities.

The Organization's federal tax returns for tax years 2019 and later remain subject to examination by taxing authorities.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

3. Investments

Investments consist of the following:

	2022	2021
Money market funds	$ 1,317	$ 1,420
Mutual funds	150,651	163,141
	$ 151,968	$ 164,561

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America. Unrealized gains (losses) of $(27,993) and $3,993 were recorded for the years ended December 31, 2022 and 2021, respectively, to adjust the investments to fair value.

4. Fair Value Measurements

The Organization has adopted financial accounting standards related to fair value measurements of all financial and nonfinancial instruments. The standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standards also require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset.
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2022 and 2021 using quoted market prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market	$ 1,317	$ —	$ —	$ 1,317
Large Cap Blend Funds	17,045	—	—	17,045
Fixed Income Bond Funds	25,487	—	—	25,487
Foreign Large Blend Funds	7,302	—	—	7,302
Emerging Markets Funds	2,612	—	—	2,612
Charitable remainder unitrust	—	—	439,923	439,923
Investments Measured at Net Asset Value				
UCF - Fixed Income Funds	—	—	—	38,427
UCF - Equity Funds	—	—	—	59,778
Total Assets	$ 53,763	$ —	$ 439,923	$ 591,891

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market	$ 1,420	$ —	$ —	$ 1,420
Large Cap Blend Funds	18,936	—	—	18,936
Fixed Income Bond Funds	29,993	—	—	29,993
Foreign Large Blend Funds	8,731	—	—	8,731
Emerging Markets Funds	3,957	—	—	3,957
Charitable remainder unitrust	—	—	571,665	571,665
Investments Measured at Net Asset Value				
UCF - Fixed Income Funds	—	—	—	40,605
UCF - Equity Funds	—	—	—	60,919
Total Assets	$ 63,037	$ —	$ 571,665	$ 736,226

The valuation techniques and a roll forward of the change in the value of the charitable remainder unitrust are included in Note 13 to the financial statements. There were no changes made in the assumptions or methodology to determine fair value in 2022 or 2021.

The Organization has adopted Accounting Standards Codification 820-10-15-4, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent).* Under this guidance, a reporting entity is permitted, as a practical expedient, to estimate the fair value of certain portfolio investments on the basis of the NAV per share. In the normal course of business, the Organization holds certain investments that would qualify for the usage of this practical expedient.

The fair value of certain fixed income and equity funds held at UCF Funds has been estimated using the net asset value per share of the investments. The purpose of these funds is to provide exposure to the risk and returns associated with the equities and fixed income markets. The funds held at UCF do not contain any commitments for future contributions and can be redeemed on demand.

5. Property And Equipment

Property and equipment consist of the following:

	2022	2021
Building and improvements	$ 1,113,107	$ 1,147,920
Furniture and equipment	312,602	259,954
	1,425,709	1,407,874
Less: Accumulated depreciation	1,243,711	1,254,901
	$ 181,998	$ 152,973

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to $44,471 and $41,995, respectively.

6. Pension Plan

In August of 2019, the Organization introduced a defined contribution plan for employees working over 25 hours per week. The defined contribution plan matches 100% of the employee's contribution, up to 2% of their salary. The Organization's contribution to the plan was $10,616 and $9,486 for the years ended December 31, 2022 and 2021, respectively.

The Organization continues to maintain a retirement plan established under the auspices of the United Church of Christ Lay Workers Pension Plan (the UCC plan). For those certain employees who participate in the UCC plan, the Organization contributes 3% to 12.5% of the participants gross salaries based on their levels of employment. The Organization's contributions to the UCC plan were $23,732 and $23,070 for the years ended December 31, 2022 and 2021, respectively.

7. Health Reimbursement Arrangement

Effective November 1, 2011, the Organization established a new health reimbursement arrangement for health and medical benefits for eligible employees. The Organization reimburses employees for eligible medical expenses up to $2,500 per employee, after the deductible of $2,500 has been met. All known and expected claims were recorded at December 31, 2022 and 2021.

8. Leases

The Organization leases a facility for its administrative office, and incurs other equipment related and other short-term rental costs. Operating lease costs for these agreements for the year ended December 31, 2022 amounted to $64,220. This includes costs of $22,245 for several short-term leases.

Supplemental cash flow and other information related to the leases are as follows:

Cash Flow Information:	
Cash paid for operating leases included in operating activities	$ 64,220
Other Information:	
Weighted-average remaining term - operating lease	2.5 Years
Weighted-average discount rate - operating lease	1.12%

The reconciliation of the undiscounted cash flows for each of the next three years of the lease liability recorded on the statement of financial position is as follows:

Year	Amount
2023	$ 41,975
2024	41,975
2025	20,988
Total minimum lease payments	104,938
Less: Amount of lease payments representing interest	1,507
Present value of future minimum lease payments	103,431
Less: Lease liability - operating, current portion	41,975
Lease liability - operating, long-term portion	$ 61,456

For the year ended December 31, 2021, rent expense under ASC 840 for these operating lease agreements amounted to $59,417.

At December 31, 2021, future minimum lease payments were as follows:

Year	Amount
2022	$ 41,154
2023	41,154
2024	41,154
2025	20,577
	$ 144,039

9. Concentrations

Approximately 39% and 26% of the Organization's total revenue was generated from three agencies in 2022 and 2021, respectively.

10. Long-Term Debt

In April 2010, the Organization entered into a long-term note payable agreement with IFF, a not-for-profit organization. The note payable amounted to a total commitment of $207,900, is secured by the Organization's Caroline Mission facility and requires monthly installments of principal and interest at rates initiating at 5.875%, subject to recalculation in 2015 and 2020 (5.0% at December 31, 2022). The note payable requires monthly principal and interest payments of $1,059. All outstanding principal and interest are due at maturity in April 2027. At December 31, 2022 and 2021, the total balance outstanding amounted to $49,410 and $59,354, respectively.

The Organization has a line of credit agreement with a financial institution that provides for borrowings of up to $200,000, bearing interest at a variable rate equal to prime rate (7.5% at December 31, 2022). Any outstanding balance on the line of credit is due on July 28, 2023. At December 31, 2022, the total balance outstanding amounted to $200,000. There were no amounts outstanding on the line of credit at December 31, 2021.

The scheduled maturities of the long-term debt are as follows:

Year	Amount
2022	$ 210,473
2023	11,009
2024	11,572
2025	12,164
Thereafter	4,192
	249,410
Less: Current maturities	210,473
	$ 38,937

11. Net Assets

Net assets are subject to the following donor-imposed restrictions:

	2022	2021
Time restricted	$ 466,461	$ 454,648
Beneficial interest in charitable remainder unitrust	439,923	571,665
Purpose restricted	338,543	157,421
	$ 1,244,927	$ 1,183,734

Net assets were released from donor-imposed restrictions by expiration of time or by incurring expenses satisfying the restricted purposes as follows:

	2022	2021
United Way time restriction met	$ 454,648	$ 443,200
Other time/purpose restrictions met	95,134	144,707
	$ 549,782	$ 587,907

12. Liquidity And Availability Of Resources

At December 31, 2022 and 2021, the Organization has the following financial assets available to meet general expenditures over the next twelve months:

	2022	2021
Financial assets available to meet general expenditures over the next twelve months:		
Cash and cash equivalents	$ 117,343	$ 435,907
Investments	151,968	164,561
Accounts receivable	1,236,103	902,003
Promises to give - current	466,461	454,648
	$ 1,971,875	$ 1,957,119

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization establishes and adheres to an operational budget.

13. Beneficial Interest In Charitable Remainder Unitrust

The Organization is a beneficiary of a charitable remainder unitrust, in which the Organization will receive one-half of the trust assets upon termination of the trust. The trust will terminate upon the death of the last surviving grantor. The remainder interest, when received, is not restricted by the donor. The fair value of the beneficial interest in the trust is determined by the Organization's designated portion of the trust and the fair value of the assets in the trust.

The following is a reconciliation of the beginning and ending balances for this trust measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31:

	2022	2021
Beginning balance	$ 571,665	$ 503,844
Change in value	(131,742)	67,821
Ending balance	$ 439,923	$ 571,665

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Directors
Unleashing Potential
St. Louis, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Unleashing Potential (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2023.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

June 30, 2023